

BEEF CATTLE PROSPECTS:

FEED, FEEDERS AND FED CATTLE

VISUAL PRESENTATION

by
Wallace Barr

Department of Agricultural Economics and Rural Sociology
Ohio State University

September, 1978

IN THE CATTLE INDUSTRY

"GOOD" NEWS

PROFITS AGAIN

HERD LIQUIDATION CONTINUES

DEMAND "EXPLODES"

BETTER TIMES: EARLY 1980 's

"BAD" NEWS

RECENT PRICE DECLINE

QUOTAS

CONSUMER RESISTANCE

BEEF DEMAND "EXPLODES"

JAN - JUNE '78

SUPPLIES PER PERSON

-4%

CATTLE PRICES

+28%

SOME REASONS

CONSUMER SPENDING:

2.2 → 2.5% OF DISPOSABLE INCOME

HAMBURGER DEMAND

PRODUCERS:

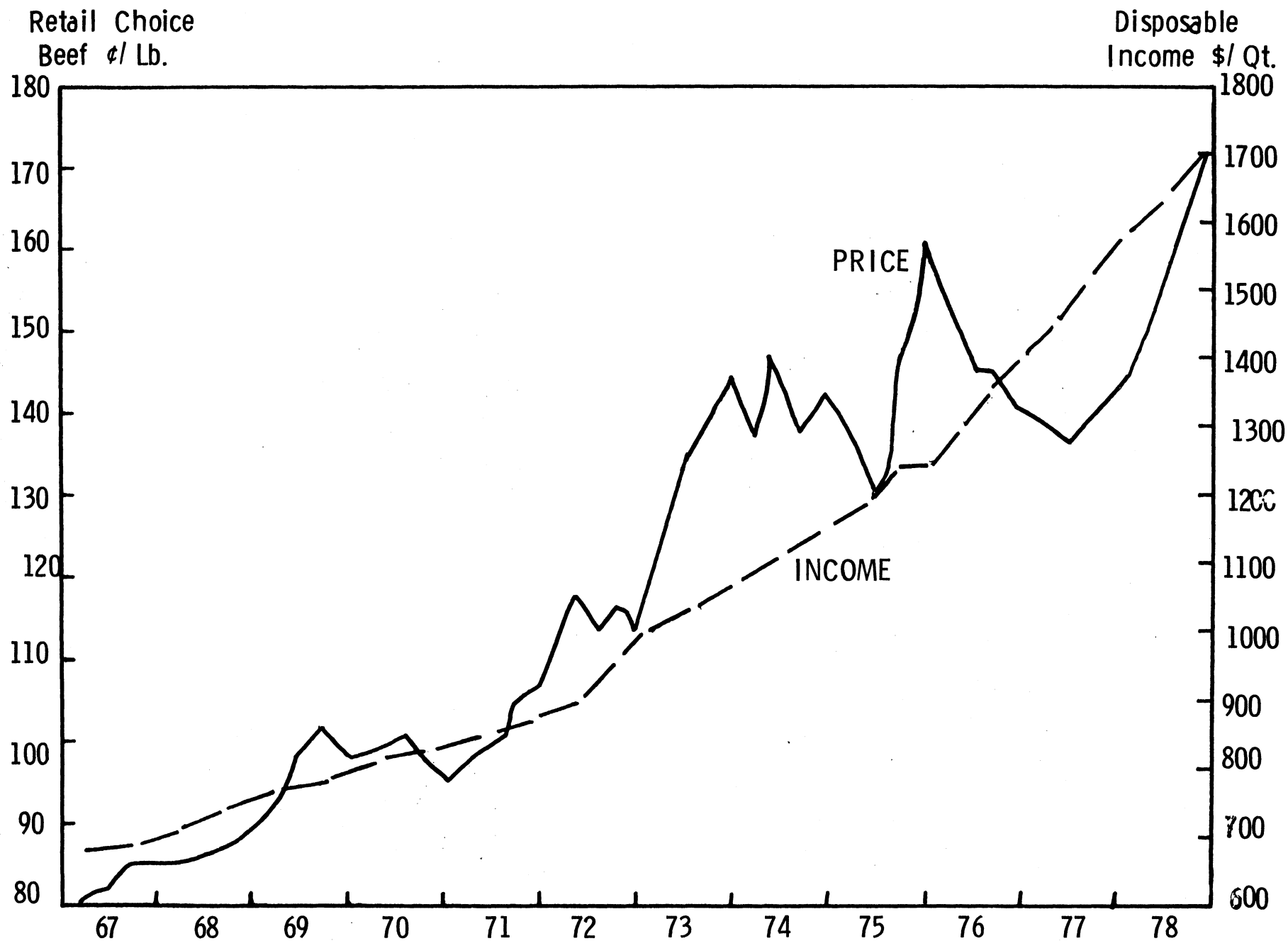
FEEDLOT PLACEMENTS

GRAZING: WHEAT

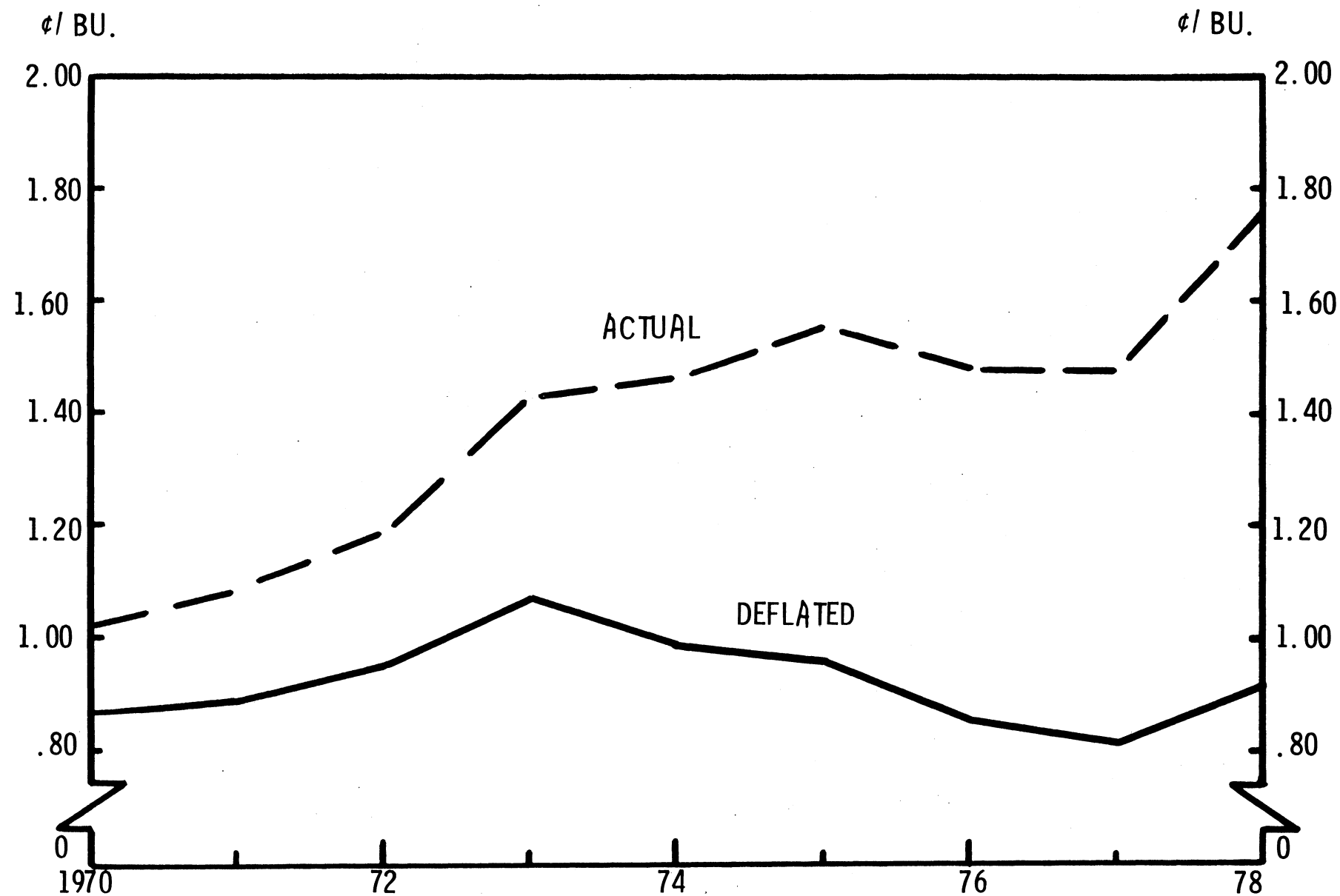
ADJUSTMENT TO INFLATION

"BUBBLE BURST"

BEEF PRICE NOT TOO HIGH



RETAIL BEEF PRICES: ACTUAL AND DEFLATED



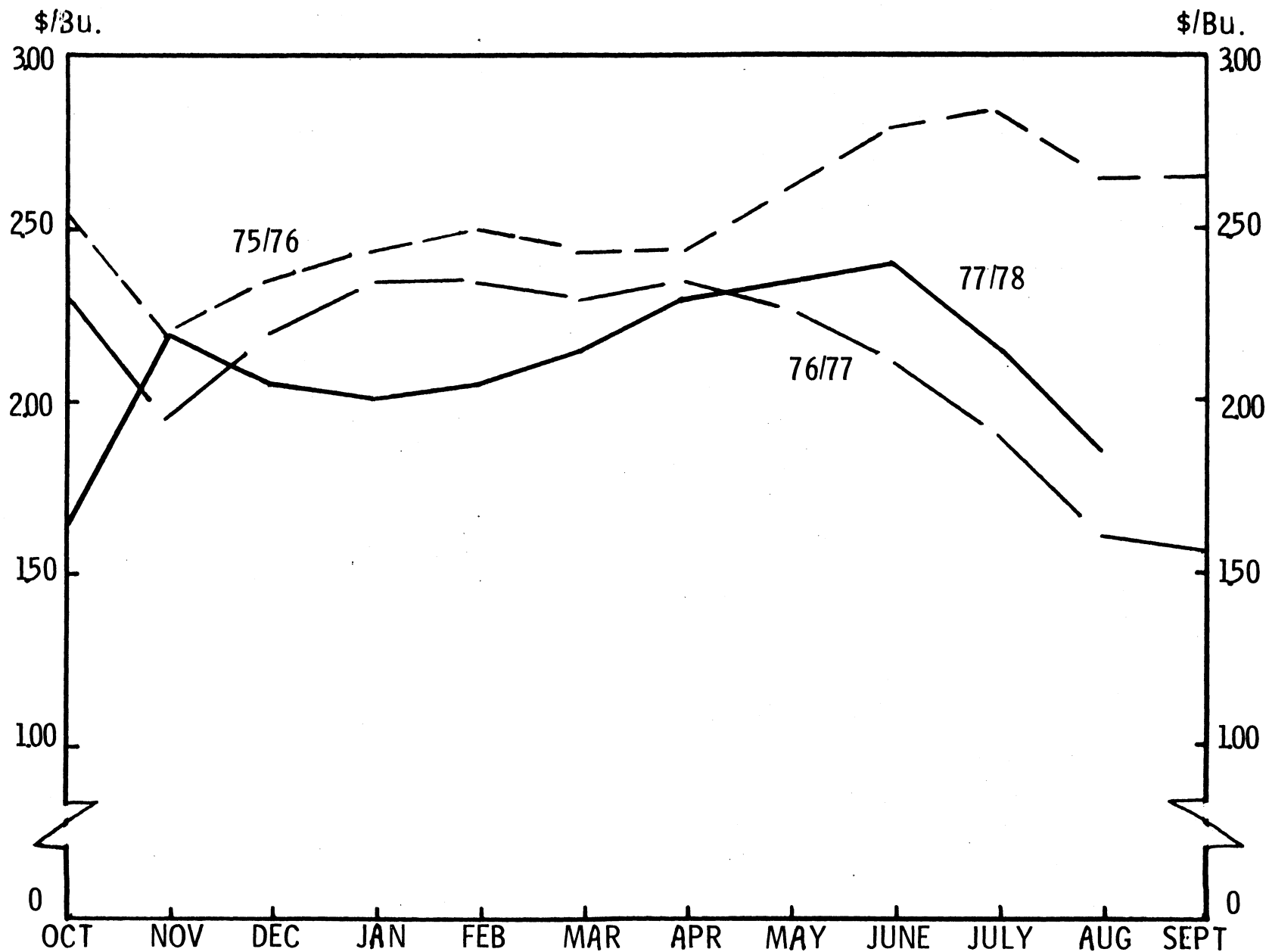
CORN PROSPECTS FOR 1978/79

	<u>AMT.</u> (Bil. Bu.)	<u>PERCENT</u> (1978/1977)
CROP (AUG.)	6.5	+2%
SUPPLIES	7.6	+5
USE		
DOMESTIC	4.5 to 4.6	+5 to 7
EXPORTS	1.7 to 1.8	0 to -5
CARRYOVER '79	1.3 to 1.4	+15 to 25

PRICE AVE. OHIO FARM

1977 CROP	\$2.06
WE SAID	\$1.90
1978 CROP	\$2.00 - 2.20

CORN: OHIO AVERAGE MONTHLY PRICE



SOYBEAN PROSPECTS FOR 1978-79

	<u>AMT.</u> (MIL. BU.)	<u>PERCENT</u> (1978/1977)
CROP (AUG.)	1,765	+3%
SUPPLIES	1,890	+4
USE	1,700 to 1,800	0 to +6
DOMESTIC	1,000 to 1,050	0 to +6
EXPORT	675 to 730	-4 to +4
CARRYOVER	90 to 150	-28 to +12

1978 SOYBEANS (CONT.)

PRICES (DECATUR)

	<u>PER BU.</u>	<u>PRICE</u>	<u>VALUE</u>
OIL, LB.	11#	22-28¢	\$2.42 - 3.08
MEAL, TON	47#	\$150-200	<u>3.52 - 3.76</u>
TOTAL			\$5.94 to 6.84

MINUS

MARGINS: TRANSPORTATION

PRICE, AVE. OHIO FARM

1977 CROP

\$5.93

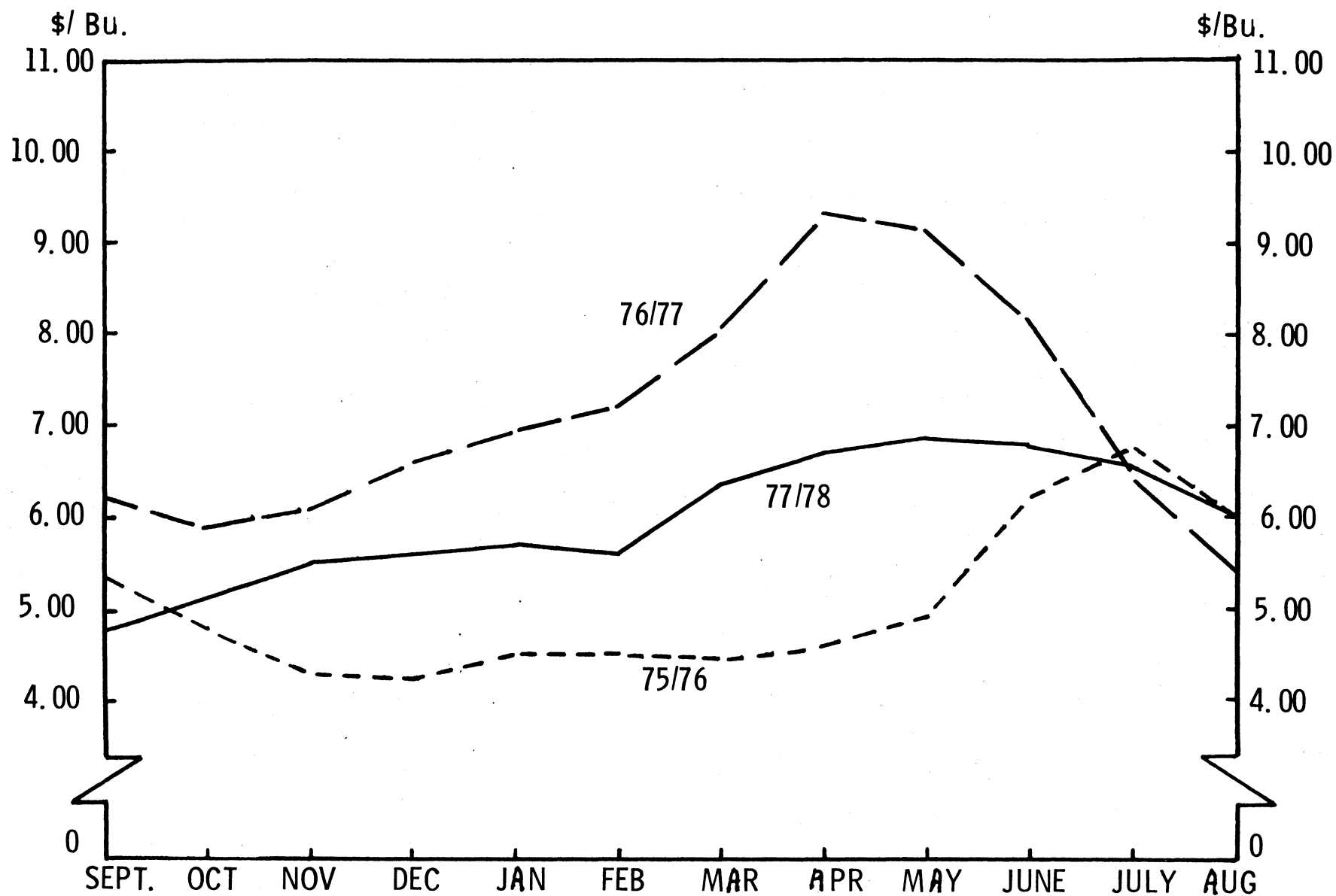
WE SAID

\$5.00-5.50

1978 (EST.)

\$6.25 + .50¢

SOYBEANS: OHIO AVERAGE MONTHLY PRICE



WHERE HAVE WE BEEN?

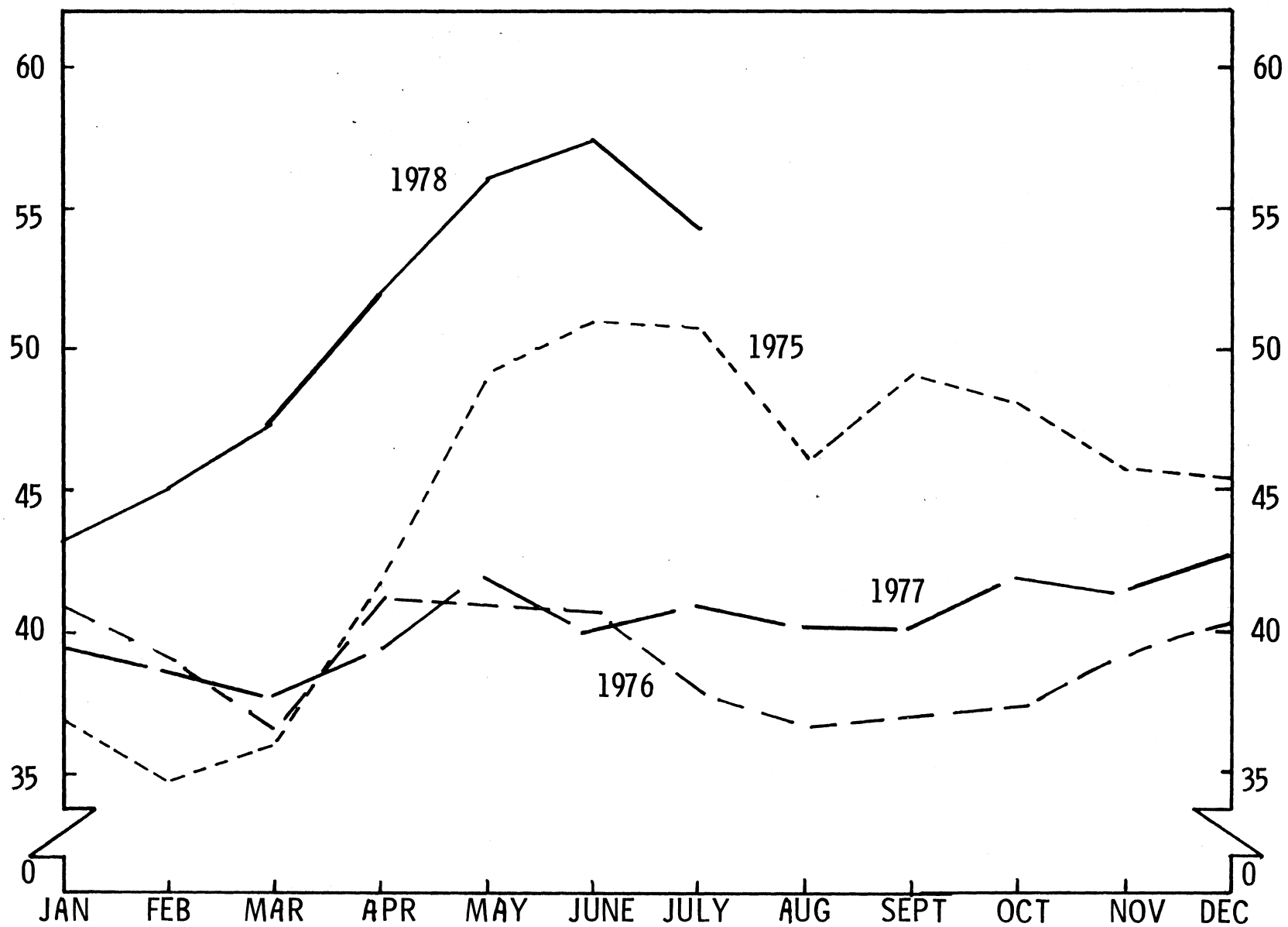
(FIRST HALF OF 1978)

	<u>1978/1977</u>
SLAUGHTER. NO.	-3%
FEDS	+6%
NONFEDS	-43
CALF	-7
COW	-5
WEIGHTS	no change
OUTPUT	-3%
USE/ PERSON (60#)	-4%
RETAIL BEEF PRICES, LB.	+37¢ (\$1.73)
CH. STEER PRICES, OMAHA	
AVERAGE, JAN. -AUG.	\$50.38
RANGE '78 (JAN - AUG)	\$45.00 to \$57.50

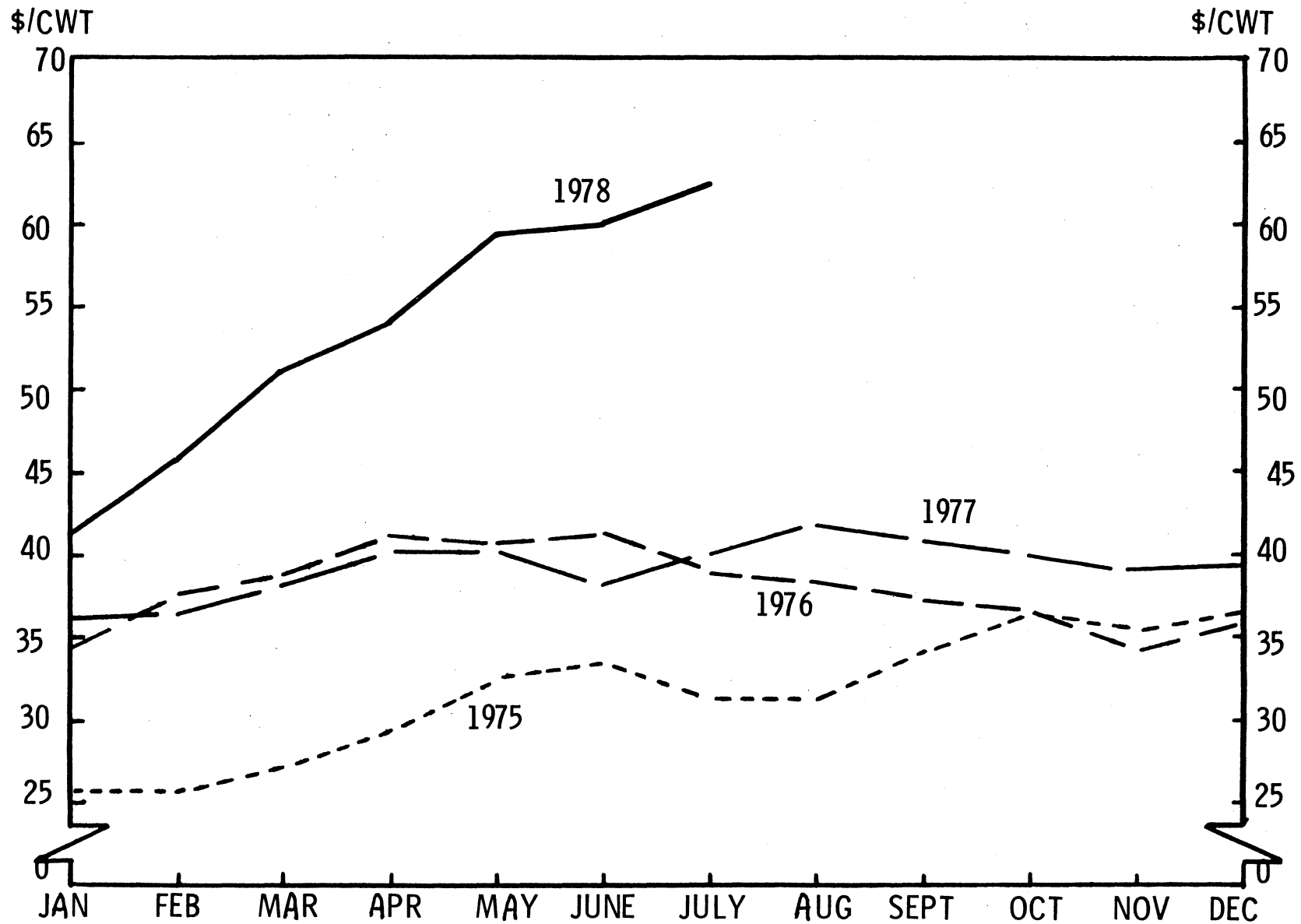
FED CATTLE CHOICE STEERS, 900 - 1100, OMAHA

\$/CWT

\$/CWT



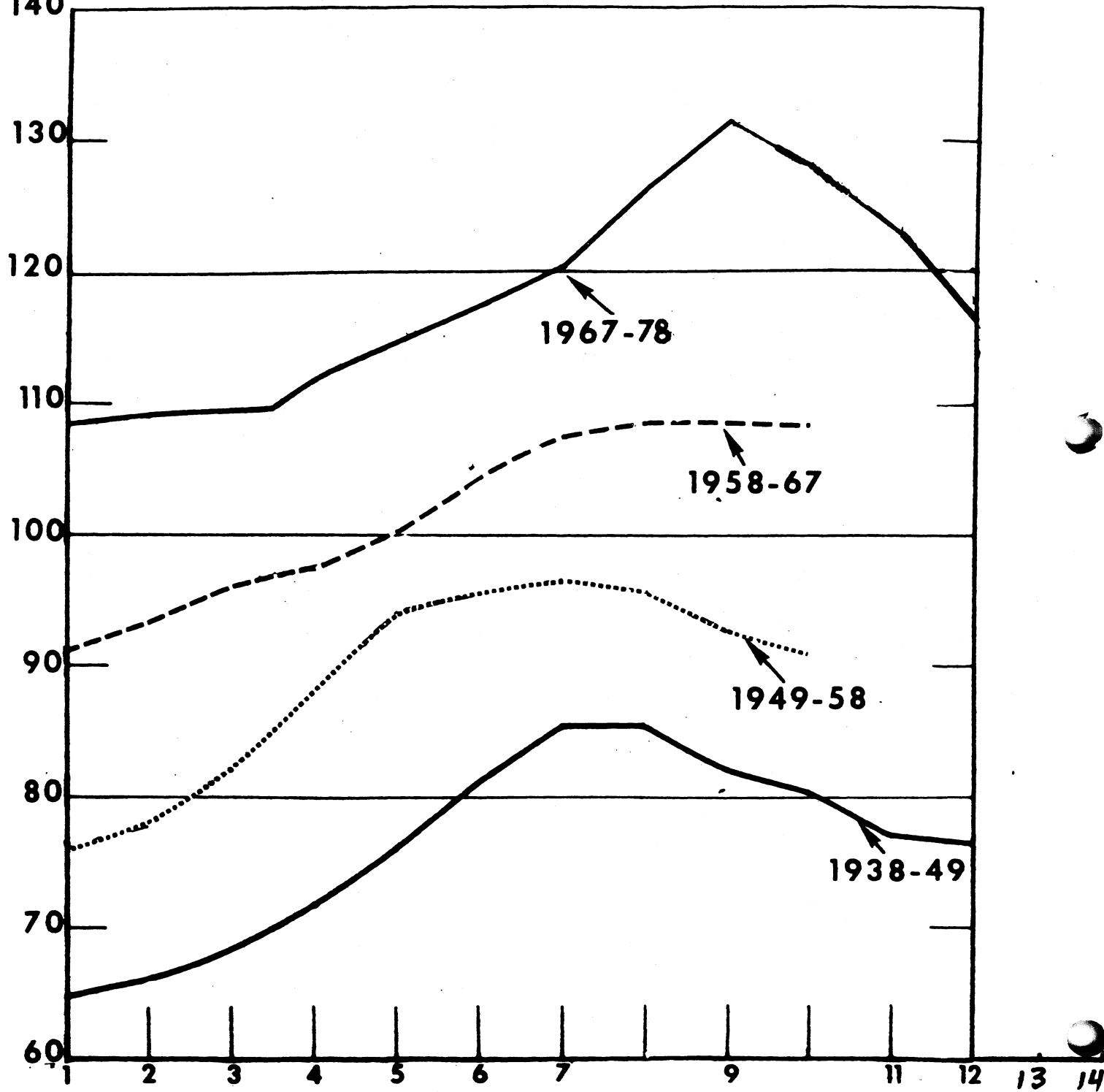
FEEDER STEERS: CHOICE 500 - 700#, KY.



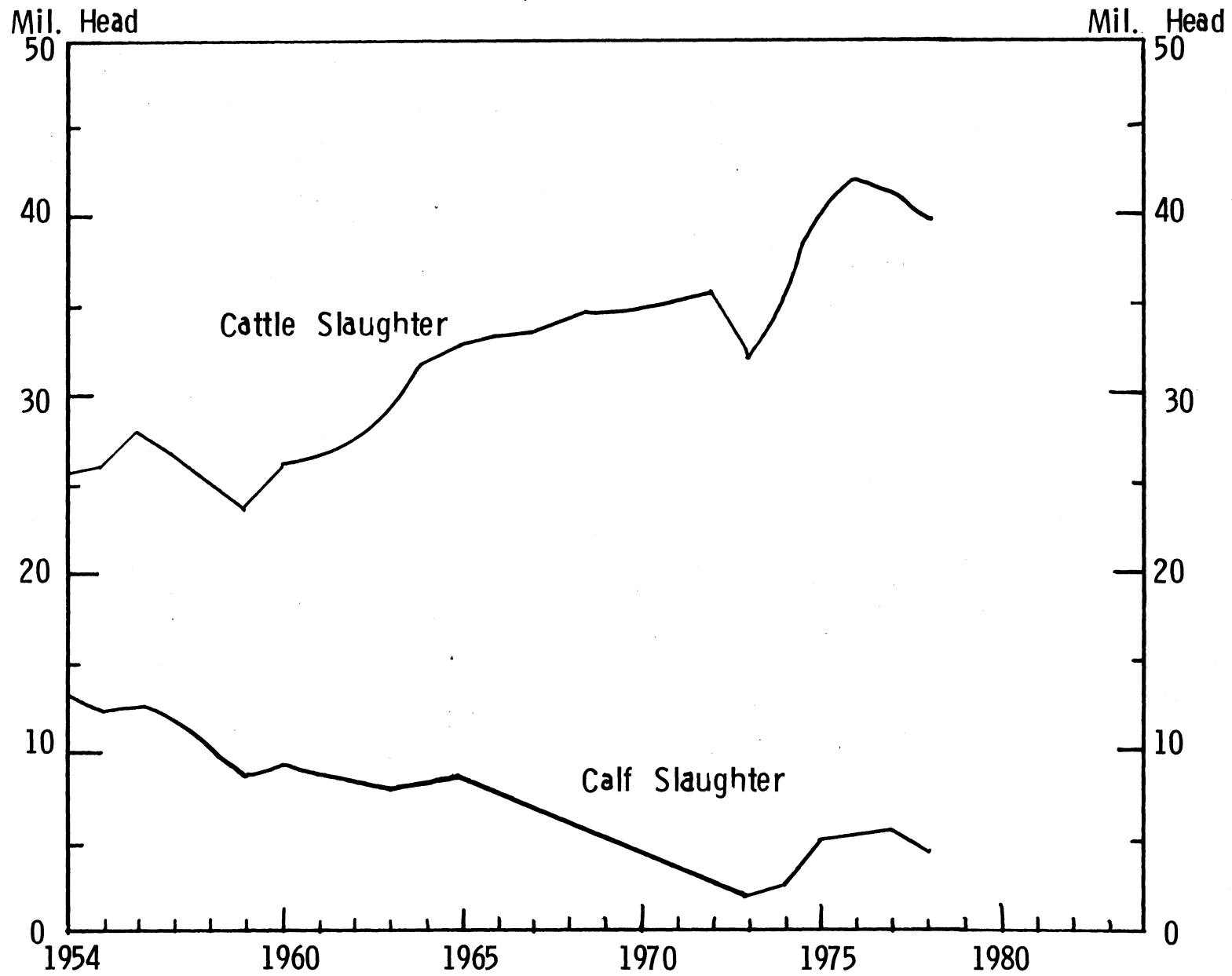
CATTLE ON FARMS BY CYCLES

MILLION HEAD

140



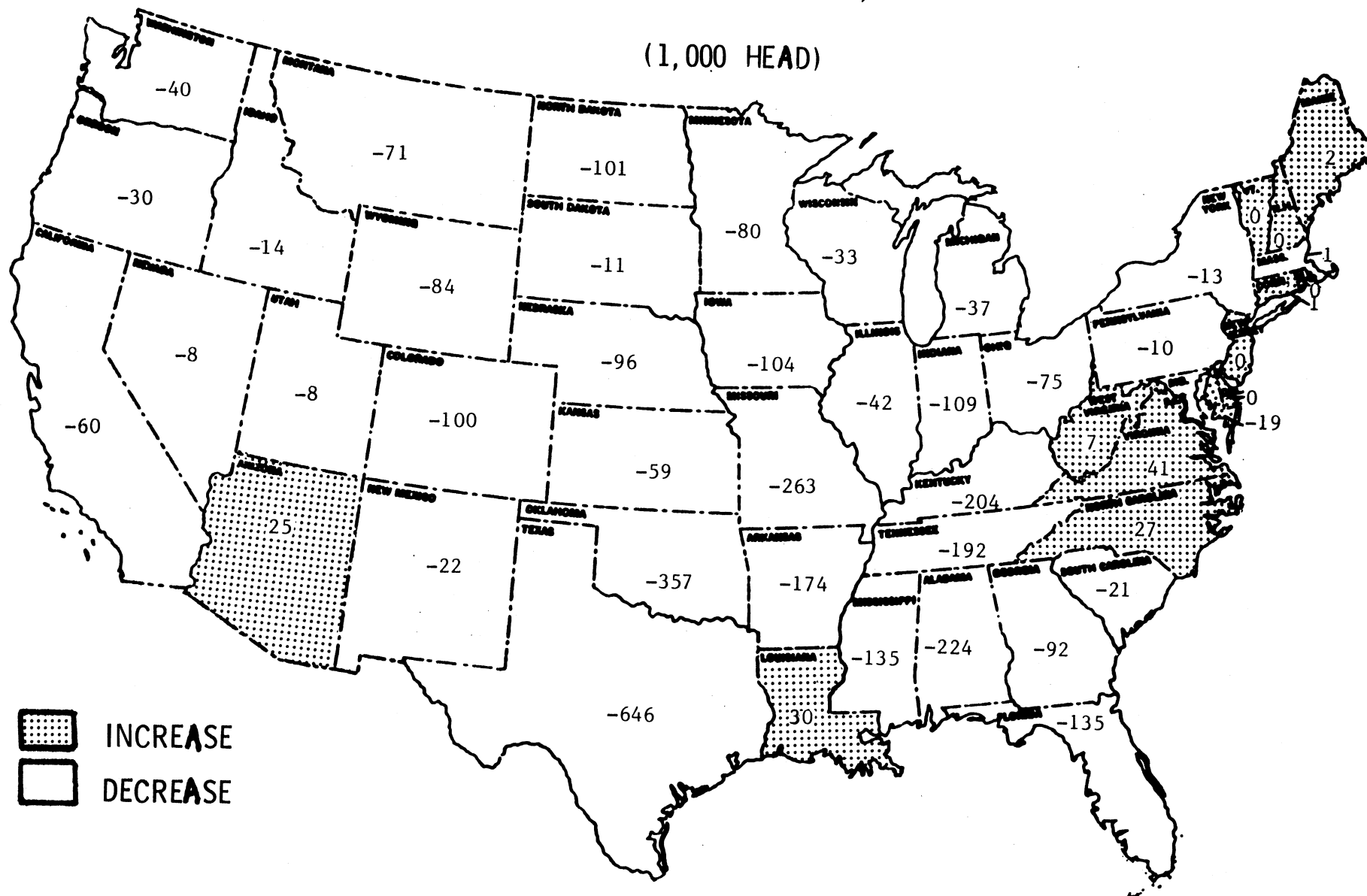
COMMERCIAL CATTLE & CALF SLAUGHTER



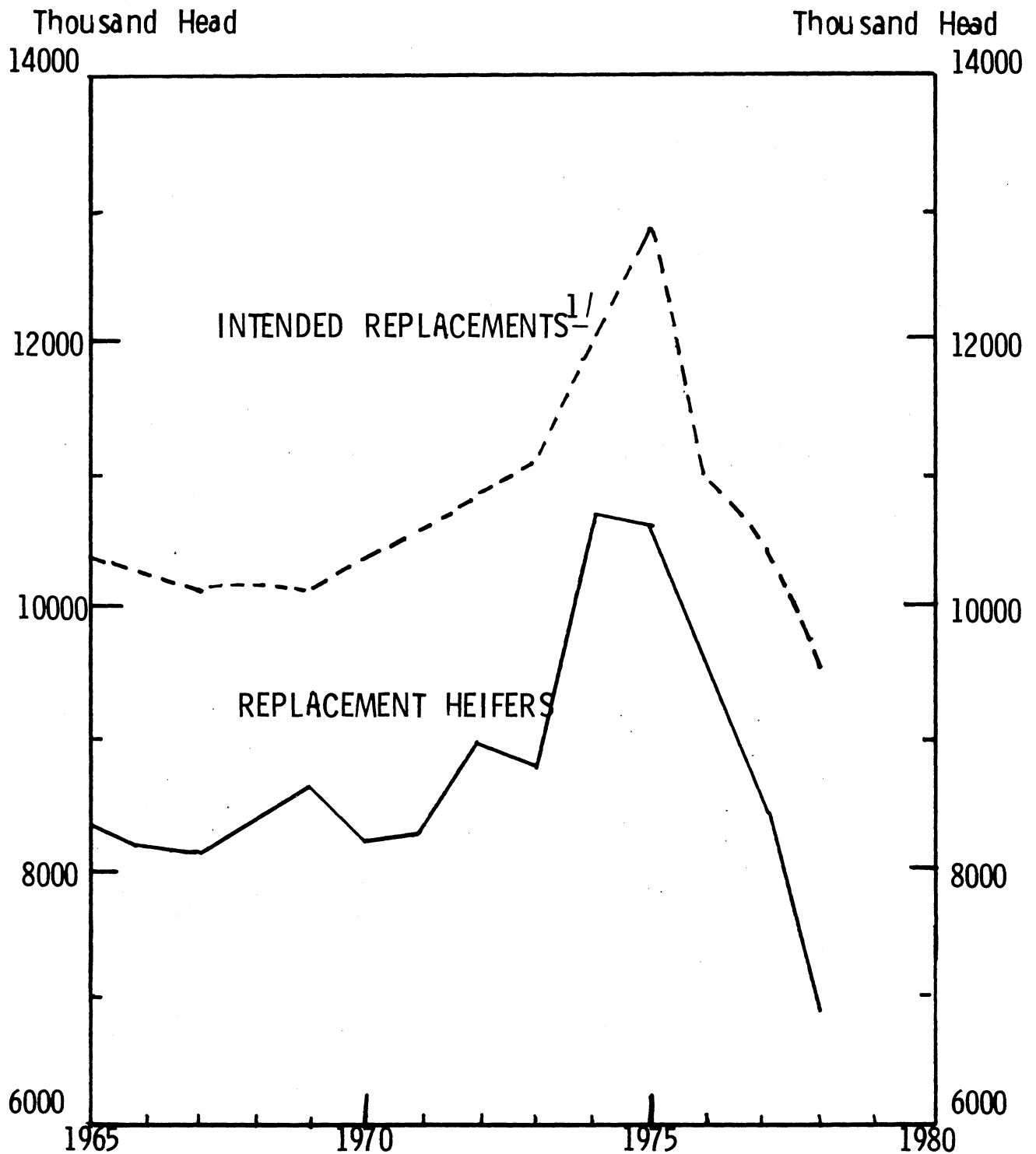
CHANGE IN BEEF COW NUMBERS

JULY 1, 1977 TO JULY 1, 1978

(1,000 HEAD)



REPLACEMENT HEIFERS



^{1/} Replacement heifers 500 #'s and over on January 1.

WHAT'S HAPPENING TO MEAT USE?

LBS/ PERSON/ YEAR

	<u>BEEF</u>	<u>PORK</u>	<u>RED MEAT</u>
1950	63	69	145
1960	85	65	161
1970	114	66	186
1971	113	73	192
1972	116	67	189
1973	110	62	176
1974	117	67	188
1975	120	55	181
1976	129	58	193
1977	126	62	192
1978 (EST.)	120	65	187
1979 (EST.)	110-112	68	178-180
1980	108-110	68	176-180

RETAIL MEAT PRICES

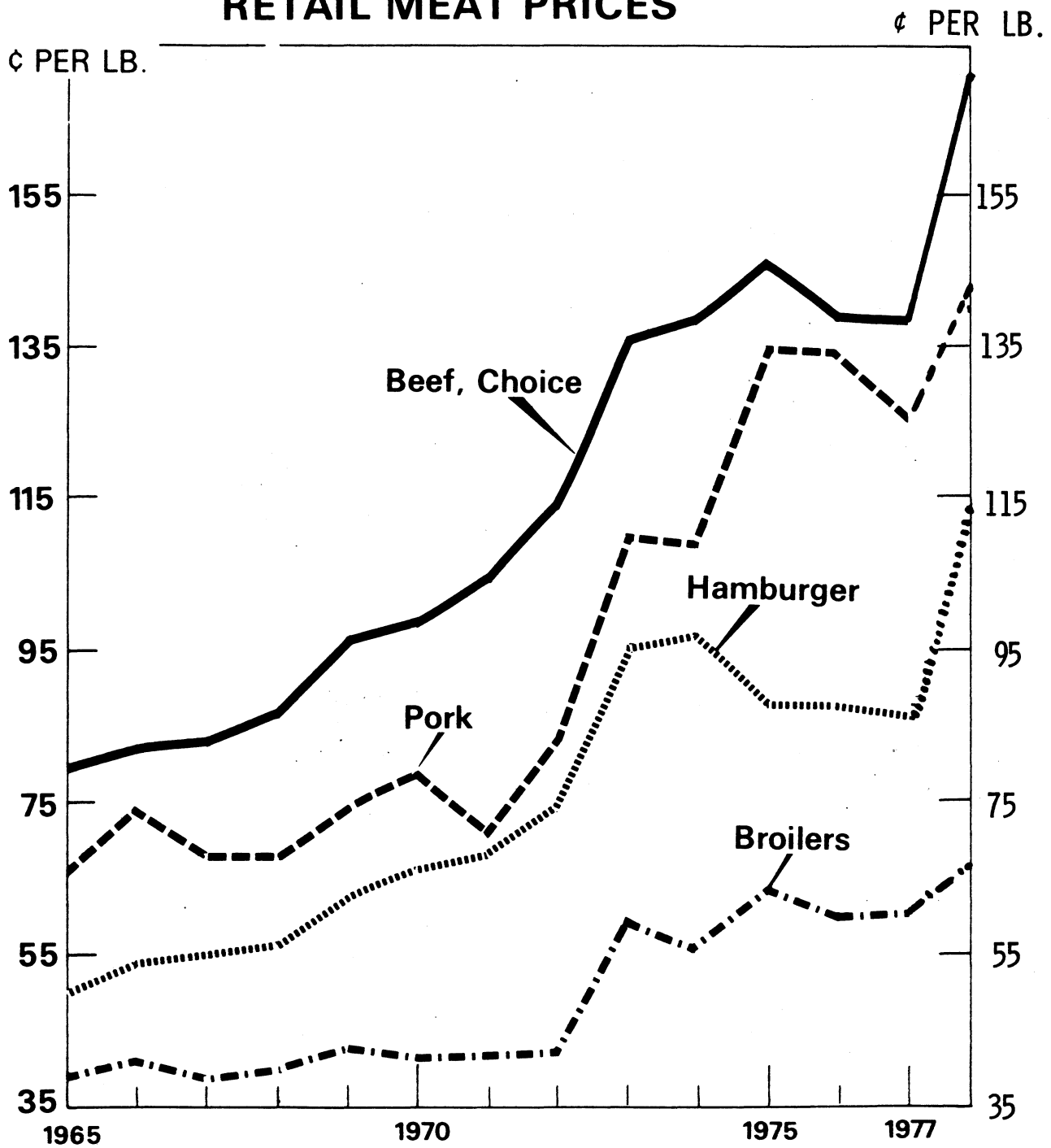


Table 2 --Quarterly average choice beef price, deflated beef prices,
and per capita consumption, U.S., 1971-first quarter 1978

Year and quarter	Average retail : choice beef : price	Consumer price : index (all items) :	Deflated beef : price in 1967 : dollars	Quarterly per : capita con- : sumption
	<u>Cent/lb.</u>	<u>1967=100</u>	<u>Cents/lb.</u>	<u>Pounds</u>
1971: I	100.2	119.5	83.85	27.7
II	104.8	120.8	86.75	28.1
III	105.4	122.0	86.39	29.3
IV	106.6	122.7	86.88	27.9
1972: I	114.4	123.7	92.48	28.2
II	112.3	124.7	90.06	28.9
III	115.3	125.8	91.65	29.4
IV	113.2	126.9	89.20	29.6
1973: I	129.2	128.7	100.39	28.0
II	135.8	131.5	103.27	26.2
III	141.8	134.4	105.51	26.8
IV	135.1	137.6	98.18	28.6
1974: I	145.1	141.4	102.62	28.3
II	134.5	145.4	92.50	28.8
III	141.0	149.9	94.06	29.4
IV	134.5	154.2	87.22	30.3
1975: I	129.6	157.0	82.55	30.3
II	146.5	159.5	91.85	28.4
III	156.4	162.9	96.01	30.2
IV	151.4	165.5	91.48	31.2
1976: I	142.1	167.1	85.04	32.8
II	141.5	169.2	83.63	31.2
III	136.1	171.9	79.17	33.5
IV	136.0	173.8	78.25	31.8
1977: I	135.1	176.9	76.37	31.7
II	136.6	180.7	75.59	30.9
III	138.8	183.3	75.72	32.0
IV	142.7	185.3	77.01	31.3
1978: I	151.3	188.3	80.35	30.5

1/ Carcass weight equivalent.

WHERE ARE WE?

CATTLE ON FEED, JULY 1
(23 STATES)

PERCENT
(1978/1977)

-- NUMBER		+12%
STEERS		+7
HEIFERS		+20

-- WEIGHT GROUPS	STEERS	HEIFERS
1100# & UP	-10%	xx
900 - 1099#	-1	+21
700 - 899#	+16	+13
500 - 699#	+12	+24
UNDER 500#	+12	+50

-- MARKETINGS

JULY - SEPT	+7
-------------	----

WHERE ARE WE?

(LAST HALF OF 1978)

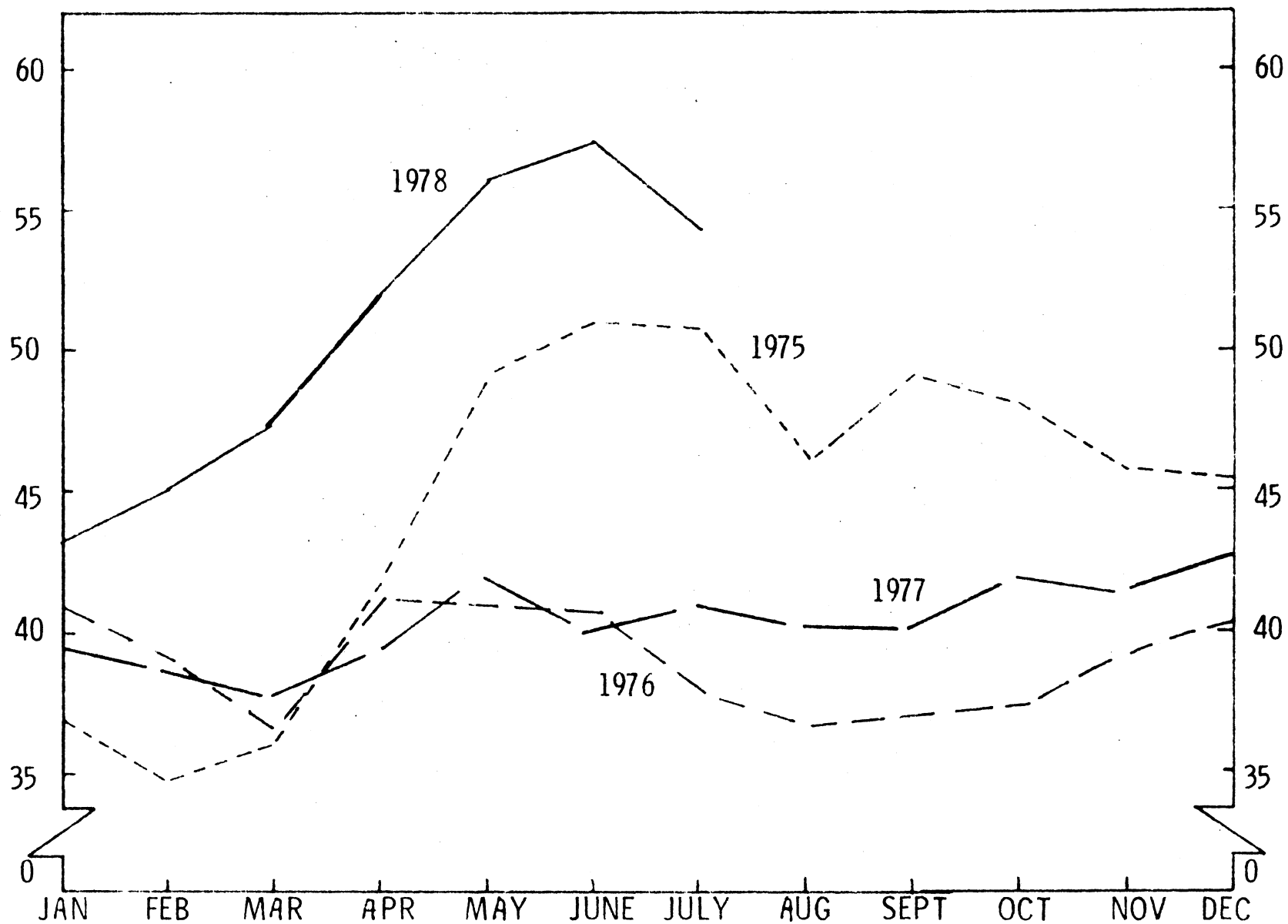
	<u>QUARTER (1978/1977)</u>	
	THIRD	FOURTH
-- SLAUGHTER. NO.	-7%	-8%
FED	+7	+5
NONFEDS	-53	-40
COWS	-12	-20
% NONFED	32	33
-- WEIGHTS	+1	+2
-- OUTPUT	-5	-6
-- USE/ PERSON	-6	-6

(-4 lbs.)

FED CATTLE CHOICE STEERS, 900 - 1100, OMAHA

\$/CWT

\$/CWT



PROSPECTS FOR 1979

	<u>1979/1978</u>
CATTLE INVENTORY. 1979 (111.6)	-4%
COW HERD - (47.5)	-4
SLAUGHTER	-7
FED	-3
NONFEDS	-20
WEIGHTS	+1
BEEF OUTPUT	-6
FIRST HALF	0
SECOND HALF	-3
IMPORTS	SAME
BEEF/ PERSON	110 - 112#
RETAIL PRICES	\$2.00 - 2.20

BEEF DEMAND FOR 1979

MORE PEOPLE

MORE MONEY

MORE PORK

MORE POULTRY

LESS BEEF

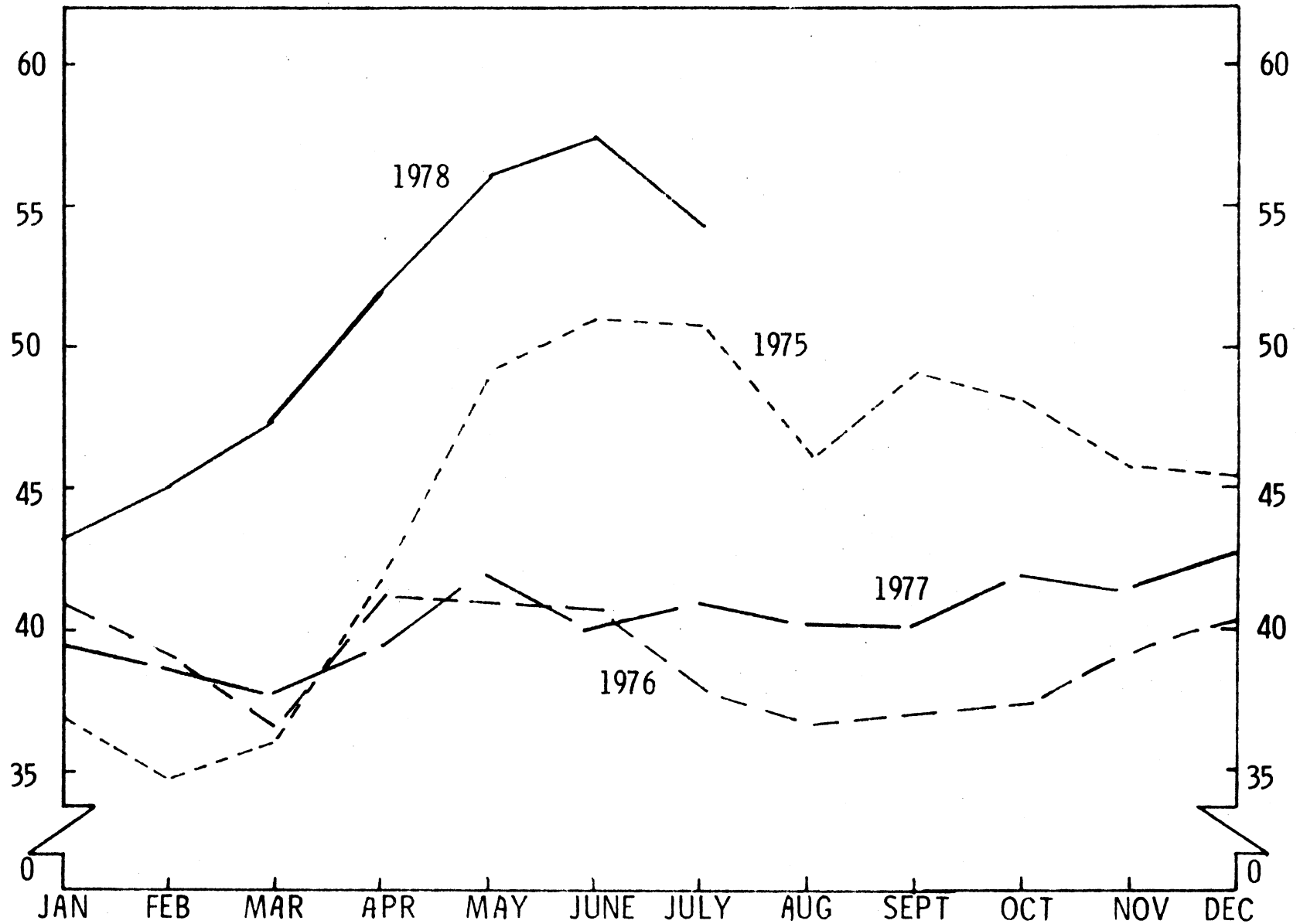
BEEF PRICE FLEXIBILITY

<u>A 1% CHANGE IN PER CAPITA:</u>	<u>FED CATTLE PRICE CHANGE</u> (PERCENT)
1 - OUTPUT OF STEER AND HEIFER BEEF	<u>+</u> 1.75
2 - USE OF COW BEEF AND IMPORTS	<u>+</u> 0.60
3 - REAL DISPOSABLE INCOME	<u>+</u> 1.90
4 - PORK SUPPLY	<u>+</u> 0.2
5 - BROILER SUPPLY	<u>+</u> 0.2

FED CATTLE CHOICE STEERS, 900 - 1100, OMAHA

\$/CWT

\$/CWT



FEEDER CATTLE DEMAND

DERIVED FROM:

CONSUMER DEMAND FOR BEEF

SUPPLY: COST OF FEED

FACTORS:

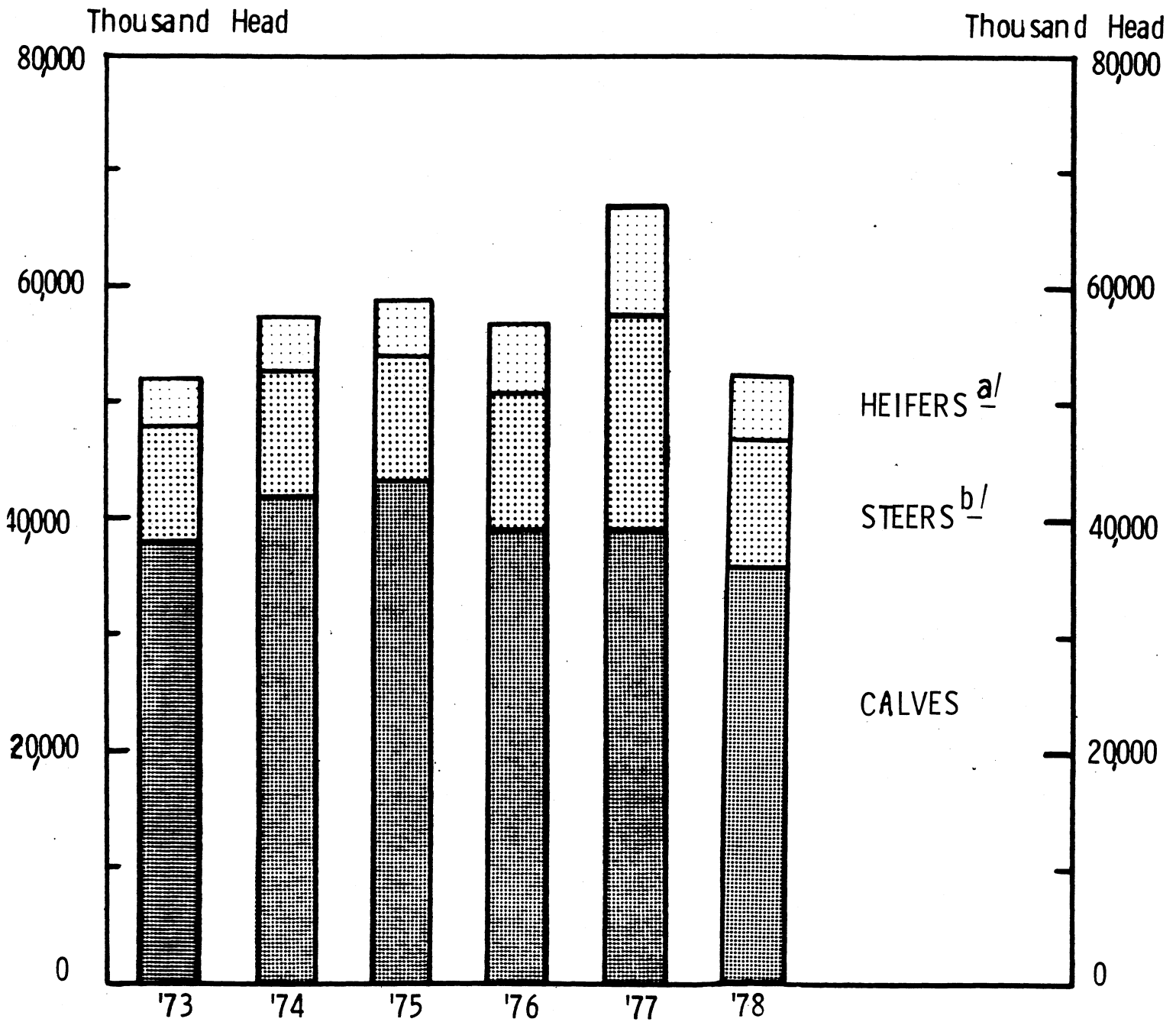
CALF CROP

FEEDLOT CAPACITY

BEEF: CORN RATIO

WEATHER

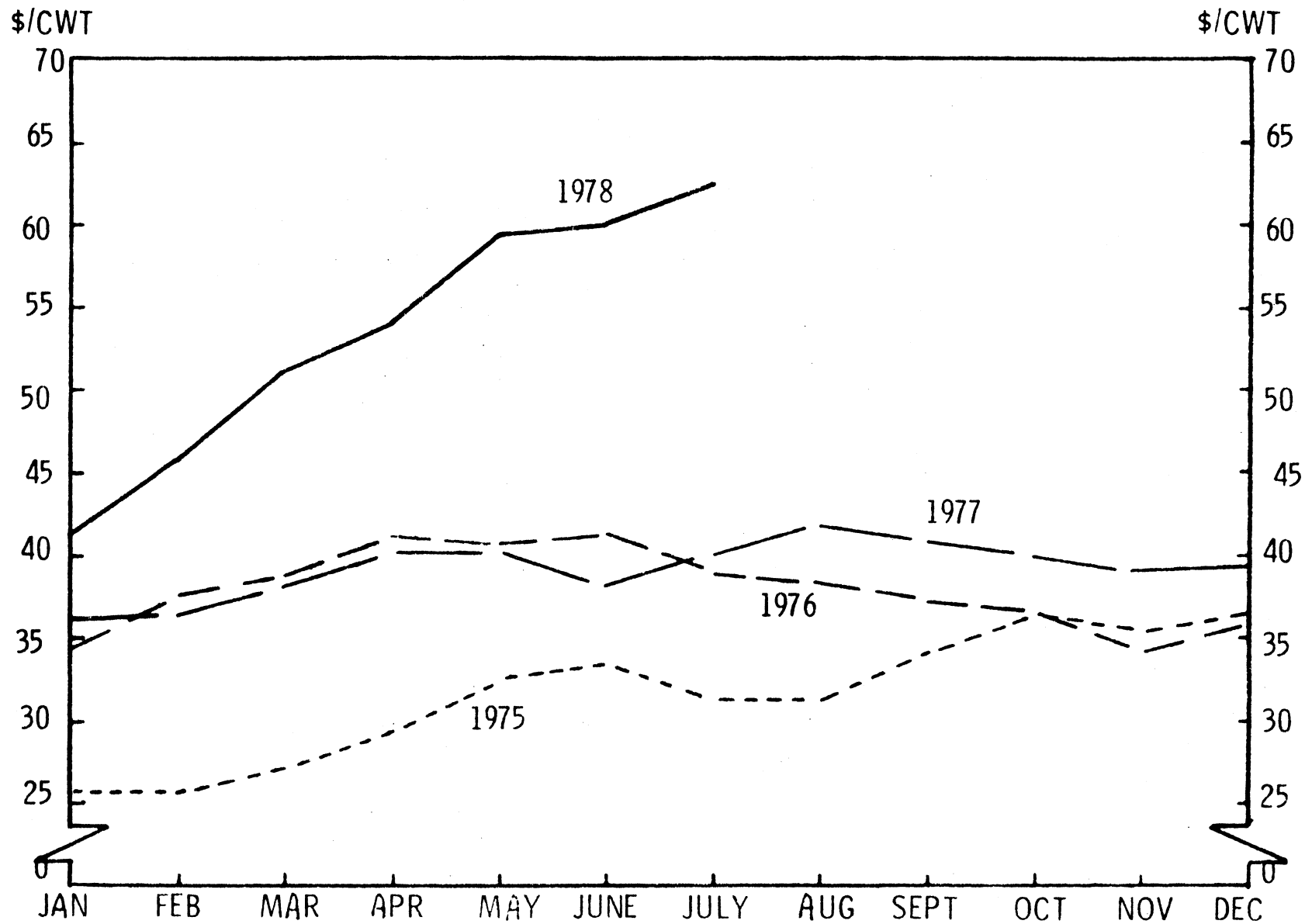
ESTIMATED JULY 1 YEARLING & CALF FEEDER SUPPLY



^{a/} Not including heifers over 500 lbs. being kept for cow replacement.

^{b/} Over 500 lbs.

FEEDER STEERS: CHOICE 500 - 700#, KY.



PROSPECTIVE FEEDER CATTLE PRICES

KY - CHOICE

WEIGHTS

STEERS

HEIFERS

UNDER 500#

\$60 - 75

50 - 60

500 - 600#

55 - 70

48 - 58

600 - 700#

50 - 65

xx

AUG. '78

BREAK EVEN PRICE FOR FEEDING CATTLE

	<u>COSTS PER HEAD</u>
1. CATTLE	_____
2. FEED	_____
3. DEATH LOSS (2% OF LINE 1)	_____
4. INTEREST	_____
5. MARKETING, ETC.	_____
6. SUBTOTAL	_____
7. LABOR	_____
8. BUILDINGS. EQUIPMENT	_____
9. TOTAL	_____

<u>COST FOR</u>	<u>COST PER HEAD</u>	<u>BREAKEVEN</u>	<u>PRICE PER CWT. SOLD</u>
CATTLE AND FEED (LINE 1 & 2)	_____		_____
VARIABLE COSTS (LINE 6)	_____		_____
TOTAL COSTS (LINE 9)	_____		_____

CATTLE FEEDING & LOWER GRAIN PRICES

-- LIGHTER PLACEMENT WEIGHTS

-- FEED MORE GRAIN

-- MARKET WEIGHTS

NORMALLY SOLD AT HEAVIER WEIGHT

BUT, GRADE CHANGES WILL MODERATE

-- SELL WHEN MEET GRADE

REDUCES COST

REDUCES BEEF OUTPUT

HELPS PRICE

FEED REQUIRED GOES UP WITH WEIGHTS

<u>WEIGHT</u>	<u>LBS. OF CONC. / 100# GAIN</u>
600 to 700#	500
700 to 800	580
800 to 900	640
900 to 1000	680
1000 to 1100	710
1100 to 1200	730

1980 & BEYOND - - -

CATTLE INVENTORY

BEEF OUTPUT

UNCERTAINTIES

IMPORTS

WEATHER

CONSUMER DEMAND

HAMBURGER

SUBSTITUTION

FED CATTLE PRICES

FEEDER CATTLE

GRAIN PRICES

PROFITS

MANAGEMENT DECISIONS